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2 <u>ESHB 2272</u> - S AMD - 433 3 By Senator West

4 ADOPTED 4/16/97

5 Strike everything after the enacting clause and insert the following:

7 "NEW SECTION. Sec. 1. A new section is added to chapter 82.24 RCW 8 to read as follows:

In transferring the enforcement of existing cigarette and tobacco taxes from the department of revenue to the liquor control board, it is the intent of the legislature that the cigarette and tobacco tax laws of the state of Washington be actively enforced. Enforcement officers of the liquor control board appointed under section 10 or 11 of this act shall pursue all necessary means within their statutory authority in order to ensure compliance with chapters 82.24 and 82.26 RCW.

- 16 **Sec. 2.** RCW 66.44.010 and 1987 c 202 s 224 are each amended to read as follows:
- 18 (1) All county and municipal peace officers are hereby charged with 19 the duty of investigating and prosecuting all violations of this title, 20 and the penal laws of this state relating to the manufacture, 21 importation, transportation, possession, distribution and sale of 22 liquor, and all fines imposed for violations of this title and the 23 penal laws of this state relating to the manufacture, importation, transportation, possession, distribution and sale of liquor shall 24 belong to the county, city or town wherein the court imposing the fine 25 26 is located, and shall be placed in the general fund for payment of the 27 salaries of those engaged in the enforcement of the provisions of this title and the penal laws of this state relating to the manufacture, 28 importation, transportation, possession, distribution and sale of 29 30 PROVIDED, That all fees, fines, forfeitures and penalties liquor: 31 collected or assessed by a district court because of the violation of a state law shall be remitted as provided in chapter 3.62 RCW as now 32 33 exists or is later amended.
  - (2) In addition to any and all other powers granted, the board shall have the power to enforce the penal provisions of this title and

the penal laws of this state relating to the manufacture, importation, transportation, possession, distribution and sale of liquor.

(3)(a) In addition to the other duties under this section, the board shall enforce chapters 82.24 and 82.26 RCW.

(b) Through active enforcement of chapters 82.24 and 82.26 RCW and negotiation of cooperative agreements as authorized under section 12 of this act, the board shall reduce the ninety million dollars in lost cigarette and tobacco tax revenue due to tax evasion. The board shall achieve a net decrease in lost cigarette and tobacco revenue according to the following schedules:

- (i) By June 30, 1998, at least five percent;
- (ii) By June 30, 1999, at least twelve and one-half percent;
- (iii) By June 30, 2000, at least thirty percent;

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- 14 (iv) By June 30, 2001, at least thirty-seven and one-half percent;
  15 and
- 16 (v) By June 30, 2002, at least fifty percent.

The board shall sustain the fifty percent net decrease in lost revenue due to cigarette and tobacco tax evasion after June 30, 2002.

(4) The board may appoint and employ, assign to duty and fix the compensation of, officers to be designated as liquor enforcement officers. Such liquor enforcement officers shall have the power, under the supervision of the board, to enforce the penal provisions of this title and the penal laws of this state relating to the manufacture, importation, transportation, possession, distribution and sale of liquor, and the provisions of chapters 82.24 and 82.26 RCW. They shall have the power and authority to serve and execute all warrants and process of law issued by the courts in enforcing the penal provisions of this title or of any penal law of this state relating to the manufacture, importation, transportation, possession, distribution and sale of liquor. They shall have the power to arrest without a warrant any person or persons found in the act of violating any of the penal provisions of this title or of any penal law of this state relating to the manufacture, importation, transportation, possession, distribution and sale of liquor, and the provisions of chapters 82.24 and 82.26 RCW.

35 **Sec. 3.** RCW 82.24.010 and 1995 c 278 s 1 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter: (1) "Board" means the liquor control board.

- (2) "Cigarette" means any roll for smoking made wholly or in part of tobacco, irrespective of size or shape and irrespective of the tobacco being flavored, adulterated, or mixed with any other ingredient, where such roll has a wrapper or cover made of paper or any material, except where such wrapper is wholly or in the greater part made of natural leaf tobacco in its natural state.
- $((\frac{1}{2}))$  (3) "Indian tribal organization" means a federally recognized Indian tribe, or tribal entity, and includes an Indian wholesaler or retailer that is owned by an Indian who is an enrolled tribal member conducting business under tribal license or similar tribal approval within Indian country. For purposes of this chapter "Indian country" is defined in the manner set forth in 18 U.S.C. Sec. 1151.
- (((3))) (4) "Precollection obligation" means the obligation of a 16 seller otherwise exempt from the tax imposed by this chapter to collect 17 the tax from that seller's buyer.
  - ((+4))) (5) "Retailer" means every person, other than a wholesaler, who purchases, sells, offers for sale or distributes any one or more of the articles taxed herein, irrespective of quantity or amount, or the number of sales, and all persons operating under a retailer's registration certificate.
  - $((\frac{5}{}))$  (6) "Retail selling price" means the ordinary, customary or usual price paid by the consumer for each package of cigarettes, less the tax levied by this chapter and less any similar tax levied by this state.
  - $((\frac{6}{}))$  "Stamp" means the stamp or stamps by use of which the tax levy under this chapter is paid or identification is made of those cigarettes with respect to which no tax is imposed.
- $((\frac{7}{}))$  (8) "Wholesaler" means every person who purchases, sells, or distributes any one or more of the articles taxed herein to retailers for the purpose of resale only.
- (((8))) (9) The meaning attributed, in chapter 82.04 RCW, to the words "person," "sale," "business" and "successor" applies equally in this chapter.
- **Sec. 4.** RCW 82.24.110 and 1995 c 278 s 7 are each amended to read as follows:

- 1 (1) Each of the following acts is a gross misdemeanor and 2 punishable as such:
  - (a) To sell, except as a licensed wholesaler engaged in interstate commerce as to the article being taxed herein, without the stamp first being affixed;
  - (b) To sell in Washington as a wholesaler to a retailer who does not possess and is required to possess a current cigarette retailer's license;
- 9 (c) To use or have in possession knowingly or intentionally any 10 forged or counterfeit stamps;
  - (d) For any person other than the department of revenue or its duly authorized agent to sell any stamps not affixed to any of the articles taxed herein whether such stamps are genuine or counterfeit;
    - (e) To violate any of the provisions of this chapter;
- 15 (f) To violate any lawful rule made and published by the department 16 of revenue or the board;
  - (g) To use any stamps more than once;

- (h) To refuse to allow the department of revenue or its duly authorized agent, on demand, to make full inspection of any place of business where any of the articles herein taxed are sold or otherwise hinder or prevent such inspection;
- (i) Except as provided in this chapter, for any retailer to have in possession in any place of business any of the articles herein taxed, unless the same have the proper stamps attached;
- (j) For any person to make, use, or present or exhibit to the department of revenue or its duly authorized agent, any invoice for any of the articles herein taxed which bears an untrue date or falsely states the nature or quantity of the goods therein invoiced;
- (k) For any wholesaler or retailer or his or her agents or employees to fail to produce on demand of the department of revenue all invoices of all the articles herein taxed or stamps bought by him or her or received in his or her place of business within five years prior to such demand unless he or she can show by satisfactory proof that the nonproduction of the invoices was due to causes beyond his or her control;
- (1) For any person to receive in this state any shipment of any of the articles taxed herein, when the same are not stamped, for the purpose of avoiding payment of tax. It is presumed that persons other

than dealers who purchase or receive shipments of unstamped cigarettes do so to avoid payment of the tax imposed herein;

- (m) For any person to possess or transport in this state a quantity of sixty thousand cigarettes or less unless the proper stamps required by this chapter have been affixed or unless: (i) Notice of the possession or transportation has been given as required by RCW 82.24.250; (ii) the person transporting the cigarettes has in actual possession invoices or delivery tickets which show the true name and address of the consigner or seller, the true name and address of the consignee or purchaser, and the quantity and brands of the cigarettes so transported; and (iii) the cigarettes are consigned to or purchased by any person in this state who is authorized by this chapter to possess unstamped cigarettes in this state.
- (2) It is unlawful for any person knowingly or intentionally to possess or to transport in this state a quantity in excess of sixty thousand cigarettes unless the proper stamps required by this chapter are affixed thereto or unless: (a) Proper notice as required by RCW 82.24.250 has been given; (b) the person transporting the cigarettes actually possesses invoices or delivery tickets showing the true name and address of the consignor or seller, the true name and address of the consignee or purchaser, and the quantity and brands of the cigarettes so transported; and (c) the cigarettes are consigned to or purchased by a person in this state who is authorized by this chapter to possess unstamped cigarettes in this state. Violation of this section shall be punished as a class C felony under Title 9A RCW.
- (3) All agents, employees, and others who aid, abet, or otherwise participate in any way in the violation of the provisions of this chapter or in any of the offenses described in this chapter shall be guilty and punishable as principals, to the same extent as any wholesaler or retailer or any other person violating this chapter.
- **Sec. 5.** RCW 82.24.130 and 1990 c 216 s 5 are each amended to read 32 as follows:
  - (1) The following are subject to seizure and forfeiture:
  - (a) Subject to RCW 82.24.250, any articles taxed in this chapter that are found at any point within this state, which articles are held, owned, or possessed by any person, and that do not have the stamps affixed to the packages or containers.

(b) All conveyances, including aircraft, vehicles, or vessels, which are used, or intended for use, to transport, or in any manner to facilitate the transportation, for the purpose of sale or receipt of property described in (a) of this subsection, except:

- (i) A conveyance used by any person as a common or contract carrier having in actual possession invoices or delivery tickets showing the true name and address of the consignor or seller, the true name of the consignee or purchaser, and the quantity and brands of the cigarettes transported, unless it appears that the owner or other person in charge of the conveyance is a consenting party or privy to a violation of this chapter;
- (ii) A conveyance subject to forfeiture under this section by reason of any act or omission of which the owner thereof establishes to have been committed or omitted without his or her knowledge or consent;
- (iii) A conveyance encumbered by a bona fide security interest if the secured party neither had knowledge of nor consented to the act or omission.
- (c) Any vending machine used for the purpose of violating the provisions of this chapter.
- (2) Property subject to forfeiture under this chapter may be seized by any agent of the department authorized to collect taxes, any enforcement officer of the board, or law enforcement officer of this state upon process issued by any superior court or district court having jurisdiction over the property. Seizure without process may be made if:
- (a) The seizure is incident to an arrest or a search under a search warrant or an inspection under an administrative inspection warrant; or
- (b) The department, the board, or the law enforcement officer has probable cause to believe that the property was used or is intended to be used in violation of this chapter and exigent circumstances exist making procurement of a search warrant impracticable.
- (3) Notwithstanding the foregoing provisions of this section, articles taxed in this chapter which are in the possession of a wholesaler or retailer, licensed under Washington state law, for a period of time necessary to affix the stamps after receipt of the articles, shall not be considered contraband.
- **Sec. 6.** RCW 82.24.190 and 1987 c 202 s 244 are each amended to 38 read as follows:

When the department of revenue or the board has good reason to believe that any of the articles taxed herein are being kept, sold, offered for sale, or given away in violation of the provisions of this chapter or regulations issued under authority hereof, it may make affidavit of such fact, describing the place or thing to be searched, before any judge of any court in this state, and such judge shall issue a search warrant directed to the sheriff, any deputy, police officer, or duly authorized agent of the department of revenue commanding him or her diligently to search any building, room in a building, place or vehicle as may be designated in the affidavit and search warrant, and to seize such tobacco so possessed and to hold the same until disposed of by law, and to arrest the person in possession or control thereof. If upon the return of such warrant, it shall appear that any of the articles taxed herein, unlawfully possessed, were seized, the same shall be sold as provided in this chapter.

**Sec. 7.** RCW 82.24.250 and 1995 c 278 s 10 are each amended to read 17 as follows:

- (1) No person other than: (a) A licensed wholesaler in the wholesaler's own vehicle; or (b) a person who has given notice to the ((department)) the board in advance of the commencement of transportation shall transport or cause to be transported in this state cigarettes not having the stamps affixed to the packages or containers.
- (2) When transporting unstamped cigarettes, such persons shall have in their actual possession or cause to have in the actual possession of those persons transporting such cigarettes on their behalf invoices or delivery tickets for such cigarettes, which shall show the true name and address of the consignor or seller, the true name and address of the consignee or purchaser, and the quantity and brands of the cigarettes so transported.
- (3) If the cigarettes are consigned to or purchased by any person in this state such purchaser or consignee must be a person who is authorized by chapter 82.24 RCW to possess unstamped cigarettes in this state.
- (4) In the absence of the notice of transportation required by this section or in the absence of such invoices or delivery tickets, or, if the name or address of the consignee or purchaser is falsified or if the purchaser or consignee is not a person authorized by chapter 82.24 RCW to possess unstamped cigarettes, the cigarettes so transported

shall be deemed contraband subject to seizure and sale under the provisions of RCW 82.24.130.

- (5) Transportation of cigarettes from a point outside this state to a point in some other state will not be considered a violation of this section provided that the person so transporting such cigarettes has in his possession adequate invoices or delivery tickets which give the true name and address of such out-of-state seller or consignor and such out-of-state purchaser or consignee.
- (6) In any case where the department or its duly authorized agent, or any peace officer of the state, has knowledge or reasonable grounds to believe that any vehicle is transporting cigarettes in violation of this section, the department, such agent, or such police officer, is authorized to stop such vehicle and to inspect the same for contraband cigarettes.
- (7) For purposes of this section, the term "person authorized by chapter 82.24 RCW to possess unstamped cigarettes" means:
  - (a) A wholesaler or retailer, licensed under Washington state law;
  - (b) The United States or an agency thereof; and
- (c) Any person, including an Indian tribal organization, who, after notice has been given to the ((department)) board as provided in this section, brings or causes to be brought into the state unstamped cigarettes, if within a period of time after receipt of the cigarettes as the department determines by rule to be reasonably necessary for the purpose the person has caused stamps to be affixed in accordance with RCW 82.24.030 or otherwise made payment of the tax required by this chapter in the manner set forth in rules adopted by the department.
- Sec. 8. RCW 82.24.550 and 1993 c 507 s 17 are each amended to read as follows:
  - (1) The ((department of revenue)) board shall enforce the provisions of this chapter ((except RCW 82.24.500, which will be enforced by the liquor control board)). The board may adopt, amend, and repeal rules necessary to enforce the provisions of this chapter.
  - (2) The department of revenue may adopt, amend, and repeal rules necessary to ((enforce and)) administer the provisions of this chapter. The department of revenue has full power and authority to revoke or suspend the license or permit of any wholesale or retail cigarette dealer in the state upon sufficient cause appearing of the violation of

this chapter or upon the failure of such licensee to comply with any of the provisions of this chapter.

 $((\langle 2 \rangle))$  (3) A license shall not be suspended or revoked except upon notice to the licensee and after a hearing as prescribed by the department of revenue. The department of revenue, upon a finding by same, that the licensee has failed to comply with any provision of this chapter or any rule promulgated thereunder, shall, in the case of the first offender, suspend the license or licenses of the licensee for a period of not less than thirty consecutive business days, and, in the case of a second or plural offender, shall suspend the license or licenses for a period of not less than ninety consecutive business days nor more than twelve months, and, in the event the department of revenue finds the offender has been guilty of willful and persistent violations, it may revoke the license or licenses.

 $((\langle 3 \rangle))$  (4) Any person whose license or licenses have been so revoked may apply to the department of revenue at the expiration of one year for a reinstatement of the license or licenses. The license or licenses may be reinstated by the department of revenue if it appears to the satisfaction of the department of revenue that the licensee will comply with the provisions of this chapter and the rules promulgated thereunder.

((4))) (5) A person whose license has been suspended or revoked shall not sell cigarettes or permit cigarettes to be sold during the period of such suspension or revocation on the premises occupied by the person or upon other premises controlled by the person or others or in any other manner or form whatever.

(((+5))) (6) Any determination and order by the department of revenue, and any order of suspension or revocation by the department of revenue of the license or licenses, or refusal to reinstate a license or licenses after revocation shall be reviewable by an appeal to the superior court of Thurston county. The superior court shall review the order or ruling of the department of revenue and may hear the matter de novo, having due regard to the provisions of this chapter and the duties imposed upon the department of revenue and the board.

Sec. 9. RCW 82.32.300 and 1983 c 3 s 222 are each amended to read as follows:

The administration of this and chapters 82.04 through 82.27 RCW of this title is vested in the department of revenue which shall prescribe

- forms and rules of procedure for the determination of the taxable status of any person, for the making of returns and for the ascertainment, assessment and collection of taxes and penalties imposed thereunder.
- The department of revenue shall make and publish rules and 5 regulations, not inconsistent therewith, necessary to enforce ((their)) 6 7 provisions of this chapter and chapters 82.02 through 82.23B and 82.27 8 RCW, and the liquor control board shall make and publish rules 9 necessary to enforce chapters 82.24 and 82.26 RCW, which shall have the same force and effect as if specifically included therein, unless 10 declared invalid by the judgment of a court of record not appealed 11 from. 12
- The department may employ such clerks, specialists, and other assistants as are necessary. Salaries and compensation of such employees shall be fixed by the department and shall be charged to the proper appropriation for the department.
- The department shall exercise general supervision of the collection of taxes and, in the discharge of such duty, may institute and prosecute such suits or proceedings in the courts as may be necessary and proper.
- NEW SECTION. Sec. 10. A new section is added to chapter 82.24 RCW to read as follows:
- The department shall appoint, as duly authorized agents, enforcement officers of the liquor control board to enforce provisions of this chapter. These officers shall not be considered employees of the department.
- NEW SECTION. Sec. 11. A new section is added to chapter 82.26 RCW to read as follows:
- The department shall appoint, as duly authorized agents, enforcement officers of the liquor control board to enforce provisions of this chapter. These officers shall not be considered employees of the department.
- NEW SECTION. Sec. 12. A new section is added to chapter 43.06 RCW to read as follows:
- 35 (1) The governor is authorized and empowered to execute cooperative 36 agreements with federally recognized Indian tribes or nations in the

- state of Washington concerning the sales of cigarettes and tobacco. 1
- The liquor control board shall negotiate the cooperative agreements 2
- 3 with the federally recognized Indian tribes or nations.
- 4 tax imposed and collected on cigarettes and tobacco products under
- cooperative agreements shall be at the same rate as the taxes imposed 5
- on cigarettes and tobacco products under chapters 82.24 and 82.26 RCW, 6
- 7 but the amount of taxes collected that may be retained by the Indian
- 8 tribes or nations shall be as provided in the cooperative agreements.
- 9 (2) A cooperative agreement under this section shall be designed to contribute to the achievement of a net decrease in the ninety million
- dollars in cigarette and tobacco tax revenues that are lost annually, 11
- balancing the contribution of voluntary compliance, enforcement, and 12
- the cooperative agreement. In conjunction with active enforcement of 13
- chapters 82.24 and 82.26 RCW under RCW 66.44.010, cooperative 14
- 15 agreements shall be designed to achieve a net decrease in lost
- cigarette and tobacco revenue according to the following schedules: 16
- (a) By June 30, 1998, at least five percent; 17
  - (b) By June 30, 1999, at least twelve and one-half percent;
  - (c) By June 30, 2000, at least thirty percent;
- (d) By June 30, 2001, at least thirty-seven and one-half percent; 20
- 21 and

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- 22 (e) By June 30, 2002, at least fifty percent.
- The board shall sustain the fifty percent net decrease in lost 23 24 revenue due to cigarette and tobacco tax evasion after June 30, 2002.
  - (3) Of the revenues received by the state under cooperative agreements negotiated under this section, fifty percent shall be deposited in the violence reduction and drug enforcement account and
- fifty percent shall be deposited in the health services account. 28
- 29 (4) For the purposes of this section, "federally recognized Indian
- 30 tribes or nations" means an Indian entity that is recognized as an
- 31 Indian tribe or a self-governing dependent Indian community by the
- 32 United States secretary of the interior.
- 33 NEW SECTION. Sec. 13. A new section is added to chapter 82.08 RCW
- 34 to read as follows:
- The tax levied by RCW 82.08.020 does not apply to sales of 35
- 36 cigarettes or tobacco made by a federally recognized Indian tribe or
- nation or its licensees during the effective period of a cooperative 37

- 1 agreement entered into between the state and the federally recognized
- 2 Indian tribe or nation under section 12 of this act.
- NEW SECTION. **Sec. 14.** A new section is added to chapter 82.12 RCW to read as follows:
- 5 The provisions of this chapter do not apply in respect to the use
- of cigarettes or tobacco sold by a federally recognized Indian tribe or
- 7 nation or its licensees during the effective period of a cooperative
- 8 agreement entered into between the state and the federally recognized
- 9 Indian tribe or nation under section 12 of this act.
- 10 <u>NEW SECTION.</u> **Sec. 15.** A new section is added to chapter 82.24 RCW
- 11 to read as follows:
- 12 This chapter does not apply to the sale, use, consumption,
- 13 handling, possession, or distribution of cigarettes by a federally
- 14 recognized Indian tribe or nation or its licensees during the effective
- 15 period of a cooperative agreement entered into between the state and
- 16 the federally recognized Indian tribe or nation under section 12 of
- 17 this act.
- NEW SECTION. Sec. 16. A new section is added to chapter 82.26 RCW
- 19 to read as follows:
- This chapter does not apply to the sale, use, consumption,
- 21 handling, possession, or distribution of tobacco by a federally
- 22 recognized Indian tribe or nation or its licensees during the effective
- 23 period of a cooperative agreement entered into between the state and
- 24 the federally recognized Indian tribe or nation under section 12 of
- 25 this act.
- NEW SECTION. Sec. 17. This act is necessary for the immediate
- 27 preservation of the public peace, health, or safety, or support of the
- 28 state government and its existing public institutions, and takes effect
- 29 immediately."

1 <u>ESHB 2272</u> - S AMD - 433 2 By Senator West

3 ADOPTED 4/16/97

On page 1, line 3 of the title, after "board;" strike the remainder of the title and insert "amending RCW 66.44.010, 82.24.010, 82.24.110, 82.24.130, 82.24.190, 82.24.250, 82.24.550, and 82.32.300; adding new sections to chapter 82.24 RCW; adding new sections to chapter 82.26 RCW; adding a new section to chapter 43.06 RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; prescribing penalties; and declaring an emergency."

--- END ---